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Rolling News as Disruptive Change

A Managerial Perspective on TV 2 and VG in Norway

Maria Theresa Konow Lund & Roel Puijk

Abstract

In the present article, we compare the models that the management in two leading commercial Norwegian media organizations, one with a foothold in the written press, *Verdens Gang* (VG), and one in television, TV 2, have used in dealing with the disruptive change in news caused by the introduction of rolling news. Both started with an experimental internal phase but later used different models to organize their news production. By establishing a spin-off, separate from the printed newspaper, VG retreated from synergies between online and offline productions, but gained by having two organizations dedicated to the processes and values of each medium. Their online services are financed by advertisements alone. The commercially financed television channel, TV 2, used an acquisition model, but encountered problems with integrating the parts. Today, their strategy involves a proliferation of digital TV channels, financed by a combination of advertisements and payment from viewers. Not only their Internet site, but particularly their 24/7 news channel *Nyhetskanalen* is a central element in the production of continuous news.

Keywords: convergence, continuous news, disruptive change, management

Introduction

Market leaders often experience difficulties adjusting to what Christensen and Overdorf (2000) call 'disruptive change'. Implementing innovative activity in an area that requires not only investments but also changes in competencies, organizational processes and values is often difficult to realize within established organizations. For news organizations, the production of rolling news represented a disruptive change. Digitization and digital distribution implied a shift in their core product: not only did it become necessary to design online news differently, but even more fundamentally digital production and distribution introduced a change from deadline-based production to the continuous production of news, 'rolling' or 'liquid' news (cf. Deuze 2008: 205), which requires new organizational forms.

Christensen and Overdorf identify three models for firms to tackle disruptive innovation. They can (1) initiate innovation *within the existing corporate structures*, they can (2) use an *acquisition model* and buy a company that already produces the innovative product, or they can (3) use a *spinout model* by establishing an independent organization. These models have implications for the way the existing offline and new online production processes are integrated or separated. In a digital environment that enables the seamless integration of a host of digital services, this integration or separation is a

major issue. News content can be reused, refashioned and distributed through different media outlets. Managers' tasks include not only introducing new technology and competencies in order to develop rolling news on its own terms, but also deciding how to organize rolling news production with their total product portfolio, namely, traditional news production and other services they provide. In addition they have to decide how to finance their activities. As users have become used to online news free of charge, the question of creating healthy business models has become pressing, to say the least.

Several studies have dealt with the introduction and production of online news in established organizations, but specific comparisons between organizations originating from different media are rare and called for (Erdal 2008: 79; Moe & Syvertsen 2007). In the present article, we ask what models, or combination of models, the management in two leading commercial Norwegian media organizations – one with a foothold in the written press, *Verdens Gang* (VG), and one in television, TV 2 – have used in dealing with the disruptive change in news caused by the introduction of continuous news production. More specifically, we focus on how management of these two organizations over time has handled this change by looking at the combination of activities they have chosen to engage in, the way they have organized it and the way they have financed it.

Method

The present study is part of a more comprehensive study of news production in TV 2 and VG, based on participant observation, interviews with various actors on different levels of the organizations and analyses of relevant (internal and external) documents. For this article, we mainly draw upon the semi-structured qualitative interviews with managers from TV 2 and VG (see references) we carried out in 2007-2009.¹ For TV 2, we chose to interview middle and senior managers responsible for both the television and the Internet. As the paper and online editions of VG were separate, we concentrated on the online organization VG Multimedia. The questions we asked were intended to help us gain insight into their perspectives on these developments and their justifications for choice of models. The interviews with the editors-in-chief from TV 2 and VG Multimedia have also provided us with critical information about the decisions made at the corporate level – decisions that we also verified through inspecting the annual reports. More detailed studies of how the new technology was implemented on the level of production are the subject of future articles.

The Challenge of Convergence

Today almost all traditional media provide continuous news, but their backgrounds are different. While printed newspapers like VG operate in relation to deadlines, online news on their websites can be updated constantly. Online news media are, in addition, increasingly involved with the production and mediation of video on their sites, and they sometimes even offer live video, which was an area formerly reserved for television. News content can be repurposed online, and additional services can be offered on the Internet.

Traditional general-purpose broadcasters like TV 2, with regularly scheduled newscasts, now also face a new situation. For them news production is only part of more

general television programming. During the past decade, television production and recently distribution have been digitized, which has created new possibilities for news production and distribution. In addition, the Internet offers them the same opportunities it offers newspapers, that is, the production of unlimited quantities of news items and the ability to supplement their stories with other web-based services.

Together with digitization we also see 'organizational convergence' in the form of media houses that both develop a product portfolio across different platforms and integrate cross-media production in multi-media editorial boards (cf. Puijk 2007, Erdal 2008). Different models have been presented to describe the different forms of cooperation and integration within media organizations, some of which also acknowledge the coexistence of convergence and divergence (cf. Dailey et al. 2003; Boczkowski 2004, Garcia Avilés & Carvajal 2008, Garcia Avilés et al. 2009, Storsul & Stuedahl 2007).

The model presented by Dailey et al. is a continuum of increasing integration in media production with five stages: cross-promotion, cloning, competition, content-sharing and convergence. Hjeltnes et al. (2008) have applied this model to monitor ten Norwegian media houses. Their analysis shows that the ten media houses are divided over all stages, and they note that status differences between the media and cultural differences between the journalists impede integration (2008: 19-20).

This model, however, has been criticized for being implicitly normative because it implies that the 'natural' movement is towards more convergence (Deuze 2007: 140; Garcia Avilés & Carvaial 2008: 225; Erdal 2008: 71). Indeed, media organizations may very well not aim at becoming fully convergent. Even though digitization enables the integration of formerly separate media, the different kinds of content still require different technology, competencies and organizational forms (e.g., digital multicamera video production versus online text production). Managers have to take these differences into account when deciding what technology to use and how to organize new forms of production in relation to existing ones. Instead of Dailey et al.'s incremental model, Christensen and Overdorf offer models that distinguish fundamental different approaches.

Disruptive Innovation

Christensen and Overdorf (2000, see also Christensen 1997) differentiate between sustaining and disruptive innovation. While sustaining innovation offers customers a product or service that performs better in ways that customers in the mainstream market already value, disruptive innovations create an entirely new market for a new kind of product or service.

The Internet represents a new media that conforms to the definition of disruptive innovation because it 'creates an entirely new market through the introduction of a new kind of product or service, one that's actually worse, initially, as judged by the performance metrics that mainstream customers value' (Christensen & Overdorf 2000: 7). One important factor in explaining why market leaders often fail in disruptive innovation, according to Christensen and Overdorf, is that their values prohibit their entering new and developing areas. These new areas will not be large and profitable enough relative to the standards of their existing markets (2000: 8), but in time the new product may surpass and make redundant the established ones.

Introduction of the Internet offered a completely new technology in which both

producers and users had to invest. Before 2000, the (news) offer on the Internet was far more limited than that in the existing media. For the news providers it appeared to be an unprofitable technology that demanded investments and experimentation, while it was not obvious which business model would eventually be profitable.

According to Christensen and Overdorf, organizations have basic capabilities in the form of resources (people, equipment, information, established networks as well as brands and design), processes (patterns of interaction, coordination, communication and decision-making) and values (standards by which employees on all levels set priorities). New products or services may involve not only different resources, but often also different processes and values.

Ethnographic studies on online journalism have documented differences between on- and offline production (cf. Domingo 2006, Paterson & Domingo 2008, Erdal 2008). These studies have documented the new working routines and divisions of labour (e.g., journalists involved in multi-media production, constant updating of stories, publication without the involvement of editors and page setters), and the different values between the different media. Domingo finds that the online journalists whom he observed developed the value of being first with a story 'to obsessive rates' (Domingo 2004: 1). Further, Domingo and others have shown how the different media themselves are valued differently – typically with television on top of the hierarchy and the Internet at the bottom (Domingo 2006, Erdal 2008, Puijk 2007). Integrating online and offline production may be difficult, as processes and values implied in the production of different media impede smooth internal cooperation. Using Christensen and Overdorf's approach, specialization is one of the alternatives to full integration, even though this may restrict the advantages of fully using the possibilities of digital media to integrate production, to repurpose content, etc.

Processes and values in well-functioning organizations are stable and adapted to existing conditions. Christensen and Overdorf identify three ways for firms to create new capabilities that can enable them to accommodate disruptive innovation (2000: 8-12). One way is to create new organizational structures within corporate boundaries in which new processes can be developed. This alternative is often difficult because it requires the creation of different 'spaces' with different processes and values within a single organization. The acquisition of existing organizations that match the required processes and values is another way to enter a new market, but it presupposes that the acquired organization will have relative freedom to continue its operations. Often, as soon as the acquisition is integrated into the main organization, it loses its capabilities, as corporate values and processes are forced upon it. In most cases of disruptive innovation, Christensen and Overdorf recommend the 'spinout' or ramification of an independent organization to develop necessary processes and values that are adjusted to the needs of the new product.

Changes in VG and TV 2

In this section, we will analyse how two traditional commercial market leaders in Norway have handled the disruptive innovation of the Internet in the period 1995-2009, and consider what models they have used in their organization of combined online and offline production, and what business models they have used. Their models have changed over

time, and for each organization we identify different phases in which they changed their strategy. In VG's development, we have discerned two phases: after an experimental period where they developed their Internet offer internally, VG chose a spinout model, and, apart from refining it over the years, has continued with this model. Within the same general structure they also developed their online video offer in an innovative way. For TV 2 we distinguish three phases: after an initial internal phase, they attempted to follow an acquisition model, but, as this did not work, they changed to a more integrated model. These changes occurred in a period of about two years (2006-2008), but we will use the year 2007 in our periodization.

Newspaper: VG

Members of the Norwegian Resistance established VG shortly after World War II (July 23, 1945). It soon became a popular newspaper with nationwide distribution. It is today 100 per cent owned by the Schibsted Group, which also owns other major Nordic newspapers like *Aftonbladet*, *Svenska Dagbladet* and *Aftenposten* (Lund et al. 2009). Until they sold their shares in 2006, Schibsted also was involved in TV 2 (Norway) and TV4 (Sweden).

VG was the first newspaper in Norway to change to a tabloid format in 1963. It has been the largest newspaper in Norway since the 1980s, with 10.3 per cent of the total market, and 49 per cent of sales to non-subscribers in 2008. The paper edition reached its peak in 2002 with an average circulation of 390,510 copies daily. Since 2002 the circulation figures have been steadily falling, and in 2009 they dropped to 262,374.² Online *VG Nett* is the most popular Internet site in Norway with more than 2.8 million unique viewers a week in 2008.³

Phase 1: Internal Model – Experimentations (1995-2000)

VG's online edition, *VG Nett*, was established in 1995. During the first year they re-circulated material from the written edition online. Thereafter, *VG Nett* began to produce its own content but was still organized as part of the newspaper. The news editor for multimedia at the time claims that VG spent 'unbelievable amounts' of money on online activity. He was instructed to experiment:

In 1998, when I became chief of multimedia, the first thing [VG's editor-in-chief] said to me was: 'I expect you to make many mistakes'. When one is young and ambitious, one doesn't want to make mistakes at all. But he explained that for a pioneering area like *VG Nett*, it is essential to stay the course and do a lot of testing. It is when you first dare to make mistakes that you know you are doing something right. If you only hold back and don't dare to make mistakes, then you miss out on good opportunities. VG had the money to do that. That was what made us number one. (News editor *VG Nett*, 1998-2000, 23-10-2007)

The chief of multimedia indicates that experimenting and getting experience with the new medium was the main focus. They experimented with a mild form of multi-skilling of journalists and were involved in a project to provide a Norwegian CNN website. In addition to news, their web pages offered chat-rooms, online games, debates, access

to webcams in public spaces, etc. *VG Nett* has also offered online video since 1998. In the first phase they produced some reports on sporting events, but an external partner mainly provided the video items. During this phase online video was limited, not least because most users' bandwidth was low.

During the first period for *VG Nett* these diverse activities developed their capabilities in regard to competencies, resources and processes. But there was also a certain amount of scepticism from the editor and journalists of the written paper, fearing that they were subsidizing the online edition that was available on the Internet for free:

We were definitely considered a threat to the printed paper. 'Cannibalization' used to be a much used expression among editors and newspaper journalists at that time.

And that is very natural, of course. (News editor *VG Nett* 1998-2000, 23-10-2007)

We can interpret this statement as revealing a difference in values between the different actors, judging the situation from either an offline or an online position. By using a spin-off strategy in the next phase they focussed on developing their online offering on its own terms.

Phase 2: Spin-off Model (2000-2009)

VG Multimedia is responsible for producing the online paper *VG Nett*. Although situated in the same building as the newspaper and 100 per cent owned by the mother company VG AS, *VG Nett* became an independent company in 2000.⁴ An editor-in-chief is in charge of all online activity.

After the dot-com crash in 2001, there was a much stronger focus on limiting expenditures. This frugality has contributed to the organic growth of *VG Nett*. There are no big investments without a confirmation that there is demand. "Our policy is to have limited claims and expectations as to income in the initial phase, but to build models that give us more income as increased traffic shows results" (VG 2002: 33).

The separation between the newspaper and the web was maintained during this period.⁵ One main reason our interviewees gave was the difference in competencies between a newspaper and an online journalist. *VG Nett* has mostly recruited journalists trained in online news production. In 2007 the then editor-in-chief of *VG Nett* used a metaphor from the sporting world: 'One cannot have a short-track athlete running the marathon nor the other way round' (interview 7-04-2008). The present editor-in-chief also used the same metaphor. In the report on media houses in Norway, he calls their model 'the focus model': the ideal is for *VG Nett* to focus entirely on the web, and the newspaper entirely on the paper edition. But he also mentions that the two organizations cooperate on the basis of editorial projects (Hjeltnes et al. 2008:5).

But it is not only a question of competencies. The editor-in-chief explains how he hates the word 'synergy', and how he thinks that 'the costs of synergies are gigantic'. Often the cultural aspects of synergy are overlooked. Should, for example, *VG Nett* wait to publish a story because they want to be polite and shield the paper version? He then discusses the disadvantages of integration and argues that offline and online production require different ways of thinking:

And I think, naturally enough, that the culture in a newspaper is quite tied to publishing one issue every day. They consider that what we do is a bit radical,

something they are interested in learning. But mentally we are in the next phase. It isn't a question of whether we will publish; the question is whether we will get it out on YouTube. Do you see? So mentally we are almost on different planets. (Editor-in-chief *VG Nett*, 30-04-2009)

These citations indicate that not only different competencies are involved, but also different processes and values. Journalists at *VG Nett* are skilled in online publication; the news gathering, processing and distribution routines are different, as are the values and norms that guide the journalist. This 'online way of working and thinking' is also used in the production of online video.

Video on the Web

One of the activities under the online news editor is the production of videos integrated into *VG Nett*'s web pages (*VGTV*). Being well aware that professional video production requires heavy investments and processes different from text production, they decided to use a web-specific approach to online video production. Videos on *VGTV* are often different from traditional television reports. Sometimes raw (unedited) recordings are put online without commentary, and many clips do not comply with traditional dramaturgical rules, and so on. Using partly semi-professional equipment and less time-consuming editing, their video production is more in line with online production processes and values.

According to *VGTV*'s leadership, this is deliberate. They do not want to make what they call 'TV-TV', that is, traditional television reports, but rather they want to make use of the advantages of the Internet. As the producer explains:

We produce TV-like reports when it is required, but not necessarily. [...] We concentrate on live transmissions: we do a straight interview when the text tells enough about the rest. The main thing is that we do web-TV on the terms of the Internet. What would you click on? Plus the big news stories at all times. But we don't make television for the sake of making television. We do so when it is proper to do so. (TOM/Producer *VG Nett*, 22-06-2009)

Even though the ambition was not to make too much 'TV-TV', *VGTV* often covered the same live stories that the television news channels were covering, and they were becoming increasingly similar. In the fall of 2008, the clicks on *VGTV* were falling, and management changed *VGTV*'s profile. In an attempt to make users click from the text story to the video, they urged journalists to focus on intriguing headings and tabloid-like stories. Such stories could easily be picked up from the press bureaus, like Reuters or AP, or even from YouTube.

In addition to small video reports, *VGTV* focuses on big events. The 9/11 attack raised the level of awareness of the importance of live streaming and prompted the purchase of portable hardware that could stream live on the Internet. The editor-in-chief was aware how different platforms could be involved in covering these kinds of events. *VG Nett*, by using adequate resources during big news events, is able to encourage the user to regard this media outlet as an indispensable source of information.

I knew relatively quickly that VG enjoyed a high level of credibility as a news supplier when big news stories were occurring. Early on we had started using all available resources for one story – if we had a big story, we used all resources on

the case and forgot about the rest. Because on September 11th you don't use that much time on other stories but the World Trade Center, do you? [...] and this has been essential for our development. We are number-nerds here, so we analyse everything we do. The absolute biggest event was the Tsunami, and the second was in fact the collapse of the flat in Ålesund last week. (Editor-in-chief *VG Nett* 2000-2008, 7-04-2008)

Being able to concentrate on these big breaking stories is, thus, a priority as it leads to many hits on the web pages. In these cases, it is also vital to have video so people can watch the material as it becomes available. In the collapse of the flat, *VG Nett* put up a real-time web camera so people could see what was happening (there was a chance that other parts of the building would also collapse).

By integrating all online news production under the editor-in-chief, *VG Nett* has the possibility to organize production according to the circumstances, focusing on big events when they occur, and more widely dispersed over a larger number of issues otherwise.

The combination of spinning out a new organization has been successful. *VG Nett* has maintained its position as Norway's most used website, while operating profits for VG Multimedia rose from 19 million NOK in 2004 to 108 million in 2007 (VG 2004, VG 2007). Although it entailed a certain degree of cannibalism vis-à-vis the printed paper, the organization avoided having to integrate irreconcilable values and processes. TV 2, in its turn, has used different models to organize their continuous news production.

Television: TV 2

TV 2 started in 1992 as a result of a political decision to establish a nationwide commercial television channel in Norway. From the start, TV 2 has had a combination of owners (Lund et al. 2009). In 2010, the Danish media group Egmont and the Norwegian A-pressen each own 50 per cent. TV 2 was the only television broadcaster allowed to carry advertisements on the nationwide analogue terrestrial network, but it was also obliged to provide certain programmes (new, current affairs, programmes for children, etc.), and the main office had to be situated in Norway's second-largest city, Bergen. Apart from the news and current affairs, TV 2 uses independent producers. Although the public service broadcaster NRK was market leader with 37 % of the market in 2009, TV 2 was the leading commercial television broadcaster with a 27.9 % share.⁶

Phase 1: Experimentation – Video on the Web (1997-2002)

TV 2 began its Internet site in 1997 through a subsidiary company, *Dagens tv*.⁷ During the first years, the site consisted mostly of programme-related information, repurposed television news and advertisements. One of the main achievements of these years was to make available a streamed version of their television newscasts on the Web (Fagerjord 2006:244). In addition TV 2 invested in interactive services and experimented with original online content aimed at niche groups (literature, extreme sports and games). Still, there was also a focus on delivering television programmes online. Under the name *Frihet* (Freedom), TV 2 offered access to an archive of its own television productions. In addition, a special Internet reality series was produced (Fagerjord 2006: 266).

In this first experimental stage, TV 2 invested resources in testing different possibilities online. The Internet activity was assembled as a separate organization, but it relied both on the recirculation of television programmes and on content connected to television programmes, and consequently processes and values were not radically changed. Original online news production was rather low. According to the manager of *Frihet's* successor, *SUMO*, the possibility of TV 2 losing its licence at the end of 2002 did influence their online commitment:

Our strategy was that if we were to lose our licence on the analogue net, we would still have cable and satellite left. Then we could turn to the Internet. (Manager *SUMO*, 26-05-2009)

The stress on using the Web for video thus seems to be dependent on political factors. Still the experimentations had an important influence on their thinking about business models for the Internet. In 2001, the advertising revenues dropped, and TV 2 had to scale down, from 104 to 55 employees. But, according to the manager of *SUMO*, they had learned some important lessons, chiefly that unique online video content was not much in demand.

By the end of 2001, we decided to change from financing by advertisement to charging the users. [...] In 2004 we had a 650,000 NOK turnover, and we were the first to have the users pay for access to Internet content in Norway. (Manager *SUMO*, 26-05-2009)

The re-circulation of content from television was popular and people were willing to pay for it. In this way, TV 2 were rather unique in charging users for access to their web TV.

Phase 2: Acquisitions (2002-2007)

TV 2 was reorganized in 2002 when a new holding company (TV 2 Group) was established. TV 2 Group announced on their web pages that its main strategy was to develop into 'a broad electronic media group with Internet services and products for new electronic media platforms'. Realizing that convergence required more radical changes, TV 2 Group changed their strategy and employed an acquisition model to expand their activities to different media.

While web TV was one of TV 2's main activities on the Internet, the provision of online news was less developed. In 2003 TV 2 bought an existing online news portal (*Nettavisen*). *Nettavisen* was to be coordinated with *TV 2 Interactive*, but the two were maintained separately as a site for news and a site for video and entertainment, respectively (TV 2 2003: 9, 22). In 2006, they also bought an existing national radio channel (*Kanal 24*). By using the acquisition model, the group tried to create a media house where different media complemented each other in reaching the users throughout the day: television during the evening, radio and Internet during the day.

The integration of television, radio and the Internet appears to have been difficult. The relations between television, *TV 2 Interactive* and *Nettavisen* were tense. *Nettavisen* was sold again in 2009. As the News Director of TV 2 explained:

And the biggest and most difficult [problem] is that neither *Nettavisen* nor we feel we are related to each other. We don't feel we work for each other when we deliver

for each other. And that is because for people in TV 2, *Nettavisen* was bought and a very different brand. Their culture and ways of prioritizing news criteria, their way of behaving and things like that, it did not match with TV 2. And the other way round – people in *Nettavisen* thought that TV 2 people were some arrogant pricks who don't know the Internet, who have no interest [...] to do the simplest things that we should have done to help *Nettavisen* in their competition with *VG Nett*. And they both are right; so it's a very good thing that is happening now, to try and stand on our own (News Director TV 2, 9-4-2008)

What the News Director explains as cultural differences can, in Christensen and Overdorf's terms, be interpreted as differences in values that led to ineffective relations and made it difficult to obtain the synergy this acquisition was expected to deliver. The integration of radio was also difficult. Even though some of Radio 24's journalists were working at a radio desk in TV 2's editorial rooms, cultural differences inhibited fruitful cooperation. In many ways, TV 2, by acquiring existing organizations, became trapped in the situation that Christensen and Overdorf describe as a pitfall: an attempt to integrate acquired organizations into the main organization and thus sapping their process and value capabilities.

Phase 3: Internal Integration (2007-2009)

The switchover from analogue to digital terrestrial digital television in Norway started 2007 and was completed in 2009. TV 2 had been an active actor in this process, owning one-third of *Norges Television*, the owner of the digital terrestrial net. The TV 2 group has regarded the establishing of multiple new television channels as a way of differentiating their sources of revenue. Starting in 2005, they established an all-round entertainment channel (together with Telenor) and different theme channels (Sports, News and Film), first distributed on satellite and cable, and from 2007 also through the terrestrial net.

After selling *Radio 24*, and already before *Nettavisen* was sold, TV 2 launched another Internet-based solution in March 2008. *TV 2 Interactive* was reorganized and renamed *TV2.no*. The headings on the Internet site indicate the main activities on the Web: News, Entertainment, Sport and Weather, along with the online pay service, *SUMO*. According to the editor and head of *TV2.no*, they have learned from their experiences with *Nettavisen*, and they are now trying to grow from the inside out. They are attempting to motivate the different editorial boards to deliver content for *TV2.no* and in this way create more ownership with the Web. She also stresses that the new strategy implies more interactivity and synergy between television and the Internet (Interview, 6-04-2009).

The fact that Internet news can be constantly updated is considered a threat to television's traditional newscasts:

Yes, people have access to the Internet, and they are able to update themselves during the day. That's why fewer are watching the evening news. It is a stable, but declining curve, and it has been in decline for the last eight years. If you look at the curve found in countries like Sweden, Denmark, UK, and Norway, you will find an identical line. It is an international phenomenon. Are we going to sit still and not act? Or are we going to reach out to people over the Internet, just like the others? (Editor of News TV 2, 8-11-2007)

As a result of this perceived threat, TV 2 introduced *Nyhetskanalen* [The News Channel], a specialized 24/7 news television channel, in 2007. This digital channel is distributed both as a digital television channel and through the Internet (*SUMO*).

Nyhetskanalen

Foreign 24/7 news channels existed before, but TV 2 used an innovative way to organize the channel. While other channels have a fully manned editorial board for their news channel, TV 2 developed software that enables the broadcasts to be run by only two persons.⁸ In addition, experienced news hosts and only a few journalists and editors were appointed. In addition, *Nyhetskanalen* draws mostly from other editorial boards. At the heart of this model is a data server into which all the moving news images are loaded. From there they can be processed and used on different platforms. As the news director stated:

The strategy is about developing maximum creativity, but also the least possible resource-demanding systems into which to put the material. Distribution of digital channels is a form of illusion – the channel outwardly appears as a channel, but internally it is more about the structuring of production than the division of channels. (News Director TV 2, 9-04-2008)

By using new technical solutions and routines, live broadcasts, items from other departments, experienced hosts who can keep an interview going, invited guests to comment on the news and replayed interesting quotations from the studio interviews to develop the news issue, *Nyhetskanalen* has managed to fill the channel's air time.

The model chosen for news production implied changes in capabilities of not only resources (e.g., technology and competencies in using different media forms), but also in processes and values. Reporters from existing departments (Sports Department, Political Department, etc.) were required to change their processes and also to deliver material for *Nyhetskanalen*, often as live reports. This strategy has also extended to the Web, where journalists are expected to deliver their material.

The news editor refers to an entrepreneurial culture in TV 2 when asked how they succeed in making their employees change working routines:

It is all about TV 2 employees looking at themselves as: yes, we can make it. People in NRK and other places are slow, we are fast, quick to turn. [...] For better or for worse, this myth or self-conception continues in the TV 2 system. [...] The will to work unconventionally is very high, there are short lines and very few formal structures, very few institutional solutions or functions (News editor TV 2, 9-4-2008).

Even though ambiguous, calling it a myth, the news editor is convinced that the corporate culture of change will encourage the whole organization to rethink and change its routines. The new activity (producing continuously updated news) is thus supposed to foster changes in the whole production process and also in the way traditional news is produced.

Nyhetskanalen thus represents an innovative way of producing digital audiovisual news. A prerequisite was the digital switchover. Using the opportunities of digital television to develop new technology and to change values and processes within the entire

company, the management wished to achieve synergy between the different departments, and to generate content for the main channel, the news channel and updates on the web-site. It is also part of TV 2's 'breaking-news strategy': in 2009 TV 2 defined breaking news as their main target.⁹ In this area they directly compete with *VGTV*, which also covers major events with live broadcasts online.

Services, Organization and Business Models

Comparing the two organizations is difficult as much of their existing capabilities, products and surroundings differ. Television, e.g., is a more politically regulated area than newspapers, and we saw that worries about getting their licence renewed prompted TV 2 to develop video on the Web. In addition, digital television is limited to a certain number of channels – even though the number is larger than before. TV 2's strategy of differentiating their portfolio by providing more television channels (sports, entertainment, film, etc.) is different from VG's strategy of having a large array of services on the Internet (varying from news, communities and debate forums to dating and commercial services delivered by others). These strategies have consequences for their business models – in VG's case these services contribute to augmenting the clicks on *VG Nett* and to the possibility of financing it through advertisements only. For TV 2, the increased number of TV channels they provide does not have this accumulative effect, but may strengthen their position vis-à-vis distributors to pay more for distributing a popular package.

Taking these kinds of differences into account, we can still compare the organizational models they have used throughout the years, focussing on innovation of continuous news production. After the first experimental phase with no clear model for rolling news, TV 2 tried to build a media house with complementary offerings. They expected synergies from the acquisition of external media companies. The problems of having the different departments collaborate were insurmountable, and they developed hierarchies and thought more about their own interests than that of the company as a whole. Other researchers have also noted the tendencies towards cultural cleavages and sub-optimal behaviours at TV 2 (Kjus 2009: 135) and other media companies (Erdal 2008, Deuze, 2007: 177; Caldwell, 2008: 272).

In the last phase, TV 2 has focused more on television. They have extended the number of channels enabled by digital television distribution. As most programmes are produced externally, this extension has not resulted in changing production processes, but *Nyhetskanalen* is the focus of fundamental changes in production. Not only was new technology implemented for this channel, but also new capabilities were developed. These capabilities were intended to be integrated into the existing organization, not only through the creation of separate 'spaces', but also by changing existing competencies, processes and values throughout the company. This has been an ongoing process that seems to have been rather successful during their first years, but, of course, it is an open question whether it will succeed in the long run.

In contrast, VG after the experimental stage has followed a spin-off strategy. The immediacy and interactivity of the Web requires different resources, processes and values than traditional offline journalism does. VG has chosen to keep the offline and online activity separate, as two organizations that possess different capabilities. This organizational divergence has prevented VG from gaining synergy out of the offline and online

combination, but it has enabled them to concentrate successfully on the specificities of each medium. In this respect, VG has resisted a movement towards convergence, as described by Dailey et al. (2003).¹⁰

However, online *VG Nett* still aims for integration under one editor-in-chief. The integration of moving news pictures was challenging, because traditional television requires capabilities quite different from those needed for textual and photographic production. Instead of following traditional television production routines and values, VG has opted for an innovative way of producing video, which is fast, cheap and adapted to online production and consumption.

The business models of VG and TV 2 have changed. While the printed newspaper is financed by a combination of pay-per-copy and advertisements, *VG Nett* seems to be one of the few that have succeeded in making profits online through advertisements alone owing to the sheer number of clicks. TV 2 has gone from being financed solely by advertisements to a combination of advertisements and pay arrangements. The problems of having customers pay for services on the Internet is urgent in many fields (e.g., music, film), and recent discussions about charging online readers reflect the importance of developing healthy business models. By having its users pay for their web TV offer, TV 2 is rather rare, even in the international context.

Conclusions

We have used Christensen and Overdorf's frame as an alternative, or partly an addition, to existing theories of convergence. Our cases show the relative usefulness of this theoretical framework for identifying innovations and the challenges they imply. Our two examples are noteworthy not because they are representative, but because they show different ways of dealing with disruptive change. In addition they represent the two largest commercial media organizations in Norway that are likely to inspire others.

Both started with an experimental internal phase but later used different models to organize their news production. By establishing a spin-off, separated from the printed newspaper, VG retreated from synergies between online and offline productions, but gained by having two organizations dedicated to the processes and values of each medium. Their online services are financed by advertisements alone. The commercially financed television channel, TV 2, used an acquisition model, but encountered problems with integrating the parts. Today, their strategy involves a proliferation of digital TV channels, financed by a combination of advertisements and payment from viewers. Not only their Internet site, but particularly their 24/7 news channel *Nyhetskanalen* is a central element in the production of continuous news.

In a digital environment the circulation and reuse of news items on different platforms is possible, but in our interviews the managers often pointed to the role of cultural differences in impeding this integration. This seems to be a major problem in their perception of how to deal with innovation. Even though culture may be an important hindrance to innovation, we also saw how TV 2 tried to use culture as a resource. TV 2's attempt to use its disruptive innovation (*Nyhetskanalen*) to change the existing organization represents an interesting extension of Christensen and Overdorf's theory. Instead of shielding new organizational processes by creating internal 'spaces' with different processes and values, TV 2's aim is to change the existing organizational processes and values. In

the view of management, their main assets are effective technology and an innovative culture. Further research on implementation and institutionalization of *Nyhetskanalen* will show whether these are enough to change their capabilities in a dynamic field where there is a need for constant innovation.

Notes

1. We thank our informants for their cooperation and the referees and various colleagues for their constructive comments.
2. Figures from Mediebedriftens Landforening, (<http://www.mediebedriftene.no/index.asp?id=96649>, accessed 5-10-2010).
3. Source: www.tns-gallup.no. The total population of Norway is 4.8 million (2008).
4. At the administrative level, the cooperation is well developed. *VG Nett* buys all administrative services, such as the switchboard, human-resource management, user support, IT department, etc., from VG.
5. The interviews were conducted in 2007-2009 – by the end of 2010, VG changed its model by integrating on- and offline production.
6. In 2009 the main channel of TV 2 had a market share of 22.1 per cent, and all channels of the TV 2 group 27.9 per cent (Source: Medienorge/TNS Gallup available on: <http://medienorge.uib.no/?cat=statistikk&medium=tv&aspekt=&queryID=219>, accessed 5-10-2010).
7. Renamed *Net2 Interactive* the same year, and since 2000 called *TV 2 Interactive* (Fagerjord 2006:224).
8. The software is called Mosart, see: <http://www.mosartmedialab.no/>
9. Application for a new licence November 2009.
10. Garcia Avilés et al. (2009: 300) mention that the autonomous model of the Austrian newspaper *Der Standard* also seems to be a major factor in their success.

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